

**WHEATON
ENTERPRISE ZONE**

INFORMATION PACKET



Wheaton Redevelopment Program
2424 Reddie Drive Suite 220
Wheaton, MD 20902
240-777-8121
FAX 240-777-8130

Wheaton Enterprise Zone

The Wheaton Enterprise Zone (WEZ) was designated by the State of Maryland on December 15, 1998. The WEZ comprises the Wheaton Central Business District (CBD) and the surrounding area from Windham Lane on the south to Dawson Avenue on the north, from College View Drive on the west to the park on University Boulevard East opposite Easecrest Drive on the east.

Where the WEZ boundary is shown in the rights-of-way of Hillsdale Drive, College View Drive, Veirs Mill Road, Galt Avenue, Dawson Avenue, Georgia Avenue, Elkin Street, Bucknell Drive, Blueridge Drive, University Boulevard, Horder Street, Windham Lane, Kimberley Street, Saint Margarets Way, Mc Comas Avenue, Peregoy Drive, Coronada Place, Faulkner Place, and Drumm Avenue, the properties contiguous to the rights-of-way of these streets are included in the zone. Businesses and owners of commercial property in the WEZ area may be eligible for employment and property tax credits if they meet the requirements for eligibility.

This packet contains the following information and documents:

- A description of the State Enterprise Zone Program, including the tax credits that are available by locating in an Enterprise Zone and the requirements that must be met.
- A map of the Wheaton Enterprise Zone
- Executive Regulations No. 3-99AM, adopted June 29, 1999, for administration of the Wheaton Enterprise Zone. These regulations include the additional local criteria for eligibility of enterprise zone businesses and property owners to obtain tax credits, and the procedures for application.
- Application and reporting forms that businesses and property owners are required to submit in order to be certified as eligible for the tax credits.
- The addresses and phone numbers of State and County officials who can provide additional information on the various elements of the enterprise zone program.

THE ENTERPRISE ZONE PROPERTY TAX CREDIT

What is the Property Tax Credit Available in the Enterprise Zone?

The Enterprise Zone Real Estate Property Tax Credit is an incentive for businesses to locate or expand facilities in a designated enterprise zone. For either a new or an expanding business which meets the eligibility requirements, the amount of the credit is 80% of the taxes due on any expansion, renovation or capital improvement in the property over the first five years. For the subsequent five years, the credit decreases 10% annually (70%, 60%, 50%, 40%, 30%). After ten years of property tax credits, the property is returned to the tax rolls at its full assessed value. The Enterprise Zone Executive Regulations explain the eligibility requirements.

Let's take an example. A commercial building with an assessment of \$150,000 (the *base year* assessment) is modernized and expanded. As a result of this investment, the assessment increases to \$200,000—an increase of \$50,000. Eighty percent (80%) of this increase will not be taxed for five years. Therefore, \$40,000 is initially eligible for the credit. If the county tax rate were \$2.00 per hundred dollars of assessed value, the tax savings for the first year is 2% times \$40,000 or \$800.

Does this credit apply to the State property tax levy?

No. The State property tax is not eligible for the enterprise zone property tax credit.

What if property values rise and my assessment increases?

The property tax credit is the difference between the *base year* assessment and the current tax year assessment. If the assessment on our example increased in the third year to \$250,000, the assessment subject to the credit would be \$100,000 (\$250,000 minus \$150,000). If the tax rates remained \$2.00 per hundred dollars of assessed value, the tax savings would be \$1,600 for that year. However, a qualifying capital improvement (defined in the Executive Regulations) must be made in order to be eligible for the initial and subsequent credits.

Any new construction assessed in the tax year immediately preceding the tax year for the first credit is excluded from the base year assessment.

How does a property owner meet the eligibility requirements for property tax credit?

The property owner must make a qualifying capital investment in order to be eligible for the initial and subsequent property tax credits. The Executive Regulations define the minimum qualifying capital investment and other eligibility criteria.

What must a property owner do in order to receive the property tax credit?

The property owner must apply to the Wheaton Redevelopment Program (WRP) for certification on a form included in this packet. The WRP in turn notifies the Maryland Department of Assessments and Taxation that the individual property meets all state and local eligibility requirements. In order to receive the tax credit on the next July 1 tax bill, the property owner must apply by December 10 in order for the WRP to certify the property's eligibility before January 1.

Can a property owner find out in advance whether or not a proposed capital investment will qualify for property tax credit?

Yes. The property owner may file a pre-certification application. In this case, the Administrator will notify said applicant that his/her proposed capital investment will qualify (if it meets the criteria for a minimum qualifying capital investment) if the improvements are made. The property owner will still have to file an application for certification once the improvements are made.

When does the property tax credit take effect?

The tax credit is granted on whole taxable years only. A property owner would have to pay any partial-year levy tax bills should the qualifying capital improvement be assessed as complete before July 1 of the first year of eligibility. The property owner will then receive the tax credit for ten full years.

What if the property is leased?

The property owner may directly seek certification for improvements he/she makes to the property. However, a problem often occurs because the law provides that only owners of the property can receive the benefit. In reality, it is often the lessee that actually pays for the capital improvements. Firms leasing property in the enterprise zone may wish to review the tax "pass through" provisions of their lease before proceeding with capital improvements. It may be prudent and necessary to renegotiate the lease agreement before committing to assessable improvements to real estate. Property owners receiving tax credit are required to notify tenants and other interested third parties.

Can I receive property tax credit for simply purchasing a property in the enterprise zone?

No. Eligibility for the enterprise zone property tax credit requires a minimum capital improvement in the property.

THE ENTERPRISE ZONE EMPLOYMENT TAX CREDITS

What is the Employment Tax Credit?

Maryland's Enterprise Zone Program provides special tax incentives to attract businesses from outside Maryland to locate in an enterprise zone and to encourage businesses in an enterprise zone to hire additional, full-time workers. The incentives are credits against taxes which are more valuable than deductions because credits are subtracted directly from income tax liability. There are actually two types of employment tax credits for firms in an enterprise zone: a general employment tax credit and a larger employment tax credit for economically disadvantaged employees.

General Employment Tax Credit: This credit is available to a business for any worker who meets the requirements of employment in the enterprise zone. This is a one-time, \$1,000 income tax credit per new worker.

Employment Tax Credit for Economically Disadvantaged Employees: This income tax credit is available for hiring economically disadvantaged employees to fill newly created positions in the enterprise zone. This credit can total \$6,000 per worker over a three-year period.

How much credit does a business receive?

1. The general employment tax credit is an income tax credit of \$1,000 for each qualified new employee hired to fill a newly created position in the enterprise zone.
2. The income tax credit for economically disadvantaged employees is for a three-year period for each qualified employee, earned at the following rates:
 - \$3,000 the first year,
 - \$2,000 the second year,
 - \$1,000 the third year.

In order to receive the full \$6,000 tax credit, an economically disadvantaged employee must remain in the position for three years. However, if the disadvantaged employee leaves the firm and is replaced by another employee who is also certified as disadvantaged, the firm may take the remainder of the credit as if the original employee had remained.

How do I know I can claim an enterprise zone employment tax credit?

1. *Local Firm Certification Requirement.* Not every business located in an enterprise zone is eligible to claim the employment tax credit. In order to claim the credit, the business must be certified by the Administrator as eligible for the credit. The Enterprise Zone

Executive Regulations include certain requirements for certification beyond those in state law. Therefore, it is very important for a firm considering location in the enterprise zone or expansion of its workforce to understand these local regulations.

2. *Other General State and County Requirements.* The following requirements apply to both the general employment tax credit and the employment tax credit for hiring economically disadvantaged employees:
 - a. The employee must have been hired after the business was located in the zone or after the zone was designated;
 - b. The employee must earn at least 150 percent of the federal minimum wage (\$5.15 at this printing) after January 1, 2001. Thus, an eligible employee must earn at least \$7.73 per hour for Tax Year 2001.
 - c. The employee must have been employed for at least 35 hours each week for twelve months before or during the taxable year for which the credit is taken (prior to January 1, 2001 the standard was 25 hours and six months);
 - d. The employee must spend half of all work time in the zone or in activity related to the zone;
 - e. The employee must have been hired to fill a new position. That is, the firm's number of full-time positions must increase by the number of credits taken;
 - f. The business must show a net increase of at least 35 work hours (25 prior to January 1, 2001) per week for each tax credit sought; the business may be required to document this employment on time sheets and payroll documents; and
 - g. The business must show an increase of 5% employment to a minimum of one (1) new employee.
3. *Requirements for Economically Disadvantaged Employees.* In order to claim the larger tax credit for hiring an economically disadvantaged employee to fill a newly created position, the firm must obtain a certification of eligibility for each such employee. This certification is provided by the Maryland Job Service, Department of Labor, Licensing and Regulation (phone 301-929-4377).

What if a firm relocates into an enterprise zone?

If a firm relocates from one site in Maryland into an enterprise zone, its base employment remains the same as it was at the previous site. However, if the firm's total employment increases, then the new positions may be eligible for the enterprise zone employment tax credits.

A firm moving from outside the State into an enterprise zone is considered to be a new Maryland business, and therefore would be eligible to claim credit for all of its employees.

Can these two types of employment tax credits be combined?

You cannot receive both the general and economically disadvantaged employment tax credits for the same individual. However, you may be able to combine an enterprise zone tax credit with another state income tax credit. This credit has no effect on eligibility for any federal income tax credit and vice versa.

What if I do not have enough income tax liability to use all of the credit?

If the tax credits exceed the tax imposed for that year, they may be applied to the next year's taxes until the credit is used or five tax years have passed.

How do I claim the enterprise zone employment tax credit?

Maryland Tax Form 500CR is used to claim this credit after being certified by the WRP as eligible. Simply fill it out and include it in your state tax return. Also, note that the credit is taken against the state income tax only. It is not taken against the County income tax "add-on."

WHEATON ENTERPRISE ZONE

APPLICATION FOR CERTIFICATION OF ELIGIBILITY - INCOME TAX CREDITS

THIS APPLICATION SHOULD BE RECEIVED BY THE ADMINISTRATOR AT LEAST 30 DAYS BEFORE
THE DUE DATE OF THE INCOME TAXES FOR WHICH THE CREDIT IS BEING SOUGHT

1. Name of Firm _____ 2. FOR TAX YEAR (For Which Certification is Sought) _____
3. Contact Person/Title _____ 4. Phone _____
5. Address in Zone _____ 6. How Long in Zone? _____
7. Prior Address _____
8. Legal Status: Corporation _____ Proprietorship _____ Partnership _____ Other _____
9. Type of Business _____ 10. North American Industrial Classification (NAICS.)
Code: _____ (www.census.gov/epcd/www/naicsect.htm)

TAX IDENTIFICATION NUMBERS: 11. Central Registration No. (State) _____
12. Personal Property Tax No. (State) _____

<u>13. Total Number of Full-Time (*1) Employees</u>	<u>A</u> In Enterprise <u>Zone (*2)</u>	<u>B</u> At Previous Location <u>Outside Maryland</u>	<u>C</u> At Previous Location <u>In Maryland</u>
<small>FILL IN COLUMN "A"; Use columns "B" and "C" only if jobs were moved to Wheaton during the period.</small>			
a. Before December 15, 1998 [baseline].	() jobs . . .	() jobs . . .	() jobs
b. In year firm moved into Wheaton Enterprise Zone.	_____ jobs . .	_____ jobs	_____ jobs
c. Tax year for which certification is sought	_____ jobs . .	_____ jobs	_____ jobs
d. Previous tax year (highest point)	_____ jobs . .	_____ jobs	_____ jobs

(*1) Working at least 35 hours per week and for twelve (12) months in the tax year for which the credit is applied for (25 hours and six months prior to 1/1/01).

(*2) Employees must earn at least 150% of federal minimum wage and spend at least 50% of their working hours in Wheaton Enterprise Zone locations.

14. Number of Full-Time Economically Disadvantaged Employees (*3)

<small>FILL IN COLUMN "A"; Use columns "B" and "C" only if jobs were moved to Wheaton during the period.</small>			
a. Before December 15, 1998 [baseline]	() jobs . .	() jobs	() jobs
b. In year firm moved into Enterprise Zone	_____ jobs . .	_____ jobs	_____ jobs
c. Tax year for which certification is sought	_____ jobs . .	_____ jobs	_____ jobs
d. Previous tax year	_____ jobs . .	_____ jobs	_____ jobs

(*3) As certified by the Maryland Job Service, Department of Labor, Licensing and Regulation.

15. Maryland State Income Tax Credits to be applied for, based on the above information and Maryland Tax Form 500CR

- **Economically Disadvantaged** (ED) Employees:
 - a) Number 1st Year _____ (from line 14c)
 - b) Number 2nd Year _____ (from line 14d)
 - c) Total ED Employees _____ [a+b above]
- **Other Qualified Employees** (subtract line 13d, column A from line 13c, column A).....d) Number _____
- **TOTAL Qualified Employees**.....e) Number _____ [c+d]

16. *I hereby certify* that I am authorized to act on behalf of the above applicant firm and attest that the above information is true.

(A) I understand the applicant firm may be required to submit documentation in the form of payroll records and employee time sheets to verify the above information. (B) The applicant firm is supporting or pledges to support transportation management activities, such as employee awareness programs, sponsored by the Wheaton Transportation Systems Management District. (C) I understand that failure to comply with the Montgomery County or State Enterprise Zone regulations, including submission of Annual Employment Report and Notice of Tax Credits Received may result in decertification of eligibility. (D) I further Certify that the applicant is current with respect to payment of income and personal property taxes, and **authorize the Comptroller to disclose state income tax information** for the years 1998 to present for Montgomery County.

17. _____
Authorized Official (Type or Print) Title

Signature of Authorized Official

Date

Wheaton Redevelopment Program 2424 Reddie Drive Suite 220 Wheaton, MD 20902 (240)-777-8121

WHEATON ENTERPRISE ZONE
RECERTIFICATION OF ELIGIBILITY - INCOME TAX CREDITS

ANNUAL EMPLOYMENT REPORT AND NOTICE OF TAX CREDITS RECEIVED
THIS REPORT SHOULD BE RECEIVED BY THE ADMINISTRATOR *BY DECEMBER 10* OF THE REPORTING TAX YEAR
INDICATED BELOW. FAILURE TO SUBMIT THIS FORM MAY RESULT IN DECERTIFICATION OF ELIGIBILITY.

1. Name of Firm _____ 2. FOR REPORTING TAX YEAR _____

3. Contact Person/Title _____ 4. Phone: _____

5. Address in Zone _____

	In Enterprise Zone (*2)	Previous Location Outside Maryland
6. Total Number of Full-Time Employees (*1)		
a. Before December 15, 1998 (base)	()	()
b. Reporting tax year	_____	_____
c. End of previous tax year	_____	_____
d. Total payroll, reporting tax year	\$ _____	\$ _____
e. Total payroll, previous tax year	\$ _____	\$ _____

(*1) Working at least 35 hours per week and for twelve (12) months in the tax year for which the credit is applied for (25 hours and six months prior to 1/1/01).

(*2) Employees must earn at least 150% of federal minimum wage and spend at least 50% of their working hours in Wheaton Enterprise Zone locations.

7. Number of Full-Time Economically Disadvantaged Employees (*3)

a. As of December 15, 1998 (base)	()	()
b. As of Date of this report	_____	_____
c. For all of this tax year	_____	_____
d. For all of previous tax year	_____	_____

(*3) As certified by the Maryland Job Service, Department of Labor, Licensing and Regulation.

8. Maryland State Income Tax Credits Received (from Maryland Form 500CR) for Tax Year:

		pre-2001	2001
a. <u>Economically Disadvantaged</u> (ED) Employees:	Number 1st Year _____	Credit \$ _____	Credit \$ _____
	Number 2nd Year _____	Credit \$ _____	Credit \$ _____
	Number 3rd Year _____	Credit \$ _____	Credit \$ _____
	Total ED Workers _____	Credit \$ _____	Credit \$ _____
b. <u>Other</u> Qualified Employees	Number _____	Credit \$ _____	Credit \$ _____
c. TOTAL Qualified Employees (Total ED plus Other). . . .	Number _____	Credit \$ _____	Credit \$ _____

9. I hereby certify that I am authorized to act on behalf of the above applicant firm and attest that the above information is true. I understand the applicant firm may be required to submit documentation in the form of payroll records and employee time sheets to verify the above information. I understand that failure to comply with local and State Enterprise Zone regulations, including submission of this Employment Report and Notice of Tax Credits Received may result in decertification of eligibility.

10. _____
Authorized Official (Type or Print) Title

Signature of Authorized Official Date

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WHEATON ENTERPRISE ZONE

APPLICATION FOR CERTIFICATION OF ELIGIBILITY - PROPERTY TAX CREDITS

PROPERTY OWNERS SEEKING PROPERTY TAX CREDIT ON THE NEXT APPLICABLE
JULY 1 TAX BILL MUST SUBMIT THIS APPLICATION BY DECEMBER 10 OF THE PRECEDING YEAR

1. Address, and Name, of Property in Enterprise Zone Where Improvements
Have Been Made or Will be Made (Attach copy of certificate of occupancy if presently occupied):

2. (a) APPLICATION FOR
TAX YEAR _____
2. (b) TAX ACCOUNT NO.

3. Application for : (a) PRE-CERTIFICATION [] or (b) CERTIFICATION []. **See Instructions below.**

4. Name of Property Owner _____ 5. Firm _____
6. Address _____ 7. Telephone _____

8. Present Assessed Value of Above Property (on which Property Tax is Calculated) \$ _____

9. Description of Improvements Qualifying for Minimum Capital Investment in Accordance with Section 6.2.2 of the Wheaton
Enterprise Zone Executive Regulations (Attach Certificate of Costs) _____

10. Date of Start of Above Improvements _____
11. Date of Completion of Above Improvements _____

	<u>Renovations</u>	<u>New Construction</u>
12. Amount of Capital Investment in Building Completed or Projected	\$ _____	\$ _____
13. Amount of Capital Investment in Other Qualifying Improvements	\$ _____	\$ _____
14. Total Amount of Capital Investment Completed or Projected (lines 12 + 13)	\$ _____	\$ _____
15. Total Building Floor Area Improved or to be Improved (Sq. Ft.)	_____	_____
16. Total Capital Investment per Sq. Ft. of Floor Area Improved (Line 14/Line 15)	\$ _____	\$ _____
17. Total Floor Area of Building (Sq. Ft.)	_____	_____
18. Percent of Building Improved (Line 15/Line 17)	_____ %	_____

19. I hereby certify that I am the legal owner of the property improved or projected to be improved, and the above information is true.
I understand that failure to comply with local and State Enterprise Zone regulations may result in decertification of eligibility.

20. _____
Name of Property Owner (Type or Print) Signature of Property Owner/Corporate Title Date

Instructions for Items 3(a) and 3(b): Property owners who file for pre-certification will receive a pre-certification notice from the Administrator that they will be certified as eligible if the criteria for minimum qualifying capital investment are met and if the improvements are made and application is filed. This notice is not a certification. To qualify for the tax credit on the next applicable tax bill, an application for certification must be filed by **December 10** of the preceding year.

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WHEATON ENTERPRISE ZONE

REPORT ON PROPERTY TAX CREDIT RECEIVED

THIS FORM SHOULD BE RECEIVED BY THE ADMINISTRATOR
WITHIN 30 DAYS OF PAYMENT OF PROPERTY TAXES FOR THE TAX YEAR CREDIT IS RECEIVED
 FAILURE TO SUBMIT THIS FORM MAY RESULT IN DECERTIFICATION OF ELIGIBILITY

1. DATE _____ 2-a. REPORT FOR TAX YEAR _____ 2-b. TAX ACCOUNT NUMBER _____

3. Name of Property Owner _____ 4. Firm _____

5. Address _____
 _____ 6. Telephone _____

7. Address of Property for Which Property Tax Credit was Received:

8. Description of Improvements Qualifying for Minimum Capital Investment in Tax Year in Accordance with Section 6.2.2 of the
 Wheaton Enterprise Zone Executive Regulations _____

9. Date of Start of Capital Investment in Above Improvements _____

10. Date of Completion of Capital Investment In Above Improvements _____

	<u>Renovations</u>	<u>New Construction</u>
11. Amount of Capital Investment in Building Completed	\$ _____	\$ _____
12. Amount of Capital Investment in Other Qualifying Improvements Completed	\$ _____	\$ _____
13. Total Amount of Capital Investment Completed	\$ _____	\$ _____
14. Total Building Floor Area Improved (Sq. Ft.)	_____	_____
15. Total Capital Investment per Sq. Ft. of Floor Area Improved (Line 13/Line 14)	\$ _____	\$ _____
16. Total Floor Area of Building (Sq. Ft.)	_____	_____
17. Percent of Building Improved (Line 14/Line 16)	_____ %	

18. Assessed Value of Above Property Prior to Reassessment Resulting from Qualifying Improvements (Base Assessment) \$ _____

19. Present Assessed Value of Above Property \$ _____

20. PROPERTY TAX CREDIT RECEIVED \$ _____

21. Tenants in Building Area Improved:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

22. I hereby certify that I am the legal owner of the property improved, that the above information is true, I have received a property tax credit as indicated above, and I have notified tenants and third parties in accordance with section 4.2.7 of the Wheaton Enterprise Zone Executive Regulations.

23. _____
 Name of Property Owner (Type or Print) Signature of Property Owner Date

Wheaton Redevelopment Office 2424 Reddie Drive Suite 220 Wheaton, MD 20902 (240)777-8121

FOR MORE INFORMATION:

Wheaton EZ requirements and application procedures: 240-777-8126

Nancy Gasko, Enterprise Zone Administrator
Wheaton Redevelopment Office
2424 Reddie Drive Suite 220
Wheaton, MD 20902

Or, for Silver Spring Enterprise Zone: 301-565-7366

Melvin Tull, Enterprise Zone Administrator
Silver Spring Regional Center
8435 Georgia Avenue
Silver Spring, MD 20910

Assessment procedures in the Enterprise Zone: 301-279-1431

George Andrews, Assistant Supervisor of Assessments
State Department of Assessment and Taxation
Montgomery County
51 Monroe Street
Rockville, MD 20850

Or Call or write: Robert Young, Associate Director
State Dept. of Assessment and Taxation
Special Programs
301 West Preston Street
Baltimore, MD 21201
Tel. 410-767-1191

State Enterprise Zone Program: 410-767-4980

Stacy Kubofcik, Enterprise Zone Administrator
Office of Business and Economic Research
Division of Marketing
Maryland Department of Business and Economic Development
217 E. Redwood Street, 11th Floor
Baltimore, Maryland 21202

Employment Tax Credit Information: 410-974-3022

James W. Fowler
Assistant Manager for Taxpayer Services
Revenue Administration Division,
Comptroller of the Treasury
110 Carroll Street, Box 1829
Annapolis, MD 21441-0001

Certification of Economically Disadvantaged Employees: 410-767-2080

David J. Ghee, Coordinator, Tax Credit Unit
Maryland Department of Labor, Licensing and Regulation
Employment Services
1100 N. Eutaw Street
Baltimore, MD 21201